

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 10, 2006**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 10, 2006, commencing at 7:02 a.m.

A. ROLL CALL

Present: Council Members – Beckman (left at 7:30 p.m.), Johnson, Mounce, and Mayor Hitchcock

Absent: Council Members – Hansen

Also Present: City Manager King, Deputy City Attorney Magdich (arrived at 7:05 a.m.), and Interim City Clerk Perrin

B. TOPIC(S)

B-1 "Utilities quarterly update"

With the aid of a PowerPoint presentation (filed), Public Works Director Prima presented an overview of the water and wastewater utilities. He pointed out that in both utilities the same staff members perform activities and charge their time to where the work was performed; therefore, the water account is slightly over budget with a corresponding decrease in the wastewater budget. The production account for water is mainly the cost of running the wells. Staff makes an estimate as to how much water it will produce and how much the citizens will use. The total operating expense in water was 93% of the budget amount for fiscal year 2005-06. Mr. Prima provided the following update on PCE/TCE remediation:

- Work is commencing on a number of plumes, including the Busy Bee plume.
- The Central Plume has settled, the City is operating the Guild equipment behind its store, and installed an additional well to do dual phase extraction. Once the tests are complete, the design will be finalized on the Central Plume remediation and source area, which will be underway early next year.

Mayor Pro Tempore Johnson suggested that inserts be included with the utility bills announcing that work has started on the clean-up efforts.

- The South Central Western Plume is currently in settlement discussions and there is better data available on where the plume is.
- The Southern Plume has settled in concept, and the City will be taking over the responsibility, similar to the Central Plume.
- The Northern Plume is in active settlement negotiations.

Completed projects in the water utility include: Water Main Replacement Project Number 2 on Stockton Street near Vine Street; two water main projects—one on Olive Street, the other on Lockeford Street; improvements to standby capacity in the water wells to phase out the dated generators—six total have been updated; Lower Sacramento Road south as part of the street widening project—installed mains for new development; and Harney Lane curve project—installed underground facilities for new development.

On the wastewater side, the treatment plant came in under budget due to the fact that the tertiary plant operated more than anticipated. The wastewater utility has little control on regulatory issues, and this year an unanticipated \$5,000 was required by the State for the sanitary sewer overflow program and new permit for the wastewater collection system, which is the first of many expenses in the overall program.

Mayor Hitchcock questioned whether the Department accomplished everything it set out to do, to which Mr. Prima stated that, with the exception of the capital budgets, generally everything budgeted for was completed.

Mr. Prima stated that the wastewater operating account is at 93%; however, the capital budget was under due primarily to Phase 3 of the White Slough project not being completed. The City obtained a \$5 million Certificate of Participation (COP) in 2003 and a \$25 million COP in 2004. The plan included an additional \$20 million financing in 2006-07; however, it appears that amount could be reduced because it may be unnecessary to build a treatment wetland and acquire additional land. The cost of the secondary improvements will be slightly higher than anticipated, but the two balanced out will still be under the projected cost for financing; therefore, the rates in place for the White Slough improvements will be sufficient for the next round of work.

In response to Mayor Hitchcock, Mr. Prima listed the following projects that were not completed in the wastewater utility:

- Land acquisition at White Slough—budgeted \$3.5 million, spent zero;
- Phase 3 design work—budgeted \$1.6 million, spent \$500,000;
- 2004 improvements—budgeted \$2.9 million, spent \$1.3 million;
- Additional money was budgeted for the Harney Lane curve that was not spent; and
- \$600,000 for PCE/TCE that was not spent.

Mayor Hitchcock pointed out that the cost for land will not decrease in the future. Mr. Prima stated that the long-term future of land disposal is unknown. Staff has looked at land around White Slough and each one has issues. The farm land to the west does not have development potential and the depth of the groundwater is a concern. The land to the north could potentially be available; however, it too has groundwater issues. Land to the south will be developed and is not an option. Land to the east is a possibility, but until the issue of managing groundwater is resolved, staff is not ready to move forward. In addition, the cannery is an important player in the long-term plan. As the next round of financing is discussed, consideration should be given to whether or not to include the cost of land acquisition; however, at this point, he could not make a recommendation on how much should be purchased, if any. In answer to Mayor Hitchcock, Mr. Prima stated there is approximately \$12 million remaining in the 2004 COP. He did not believe the need to purchase land was imminent; however, he did believe the pipeline rehabilitation between Lodi and the plant was forthcoming. Further discussion ensued regarding the initial reasons behind the need for additional land and the current uncertainty.

Mr. Prima reported on the following capital projects in the wastewater utility: 2004 improvements; the phase redesign work at \$500,000, for which the plans and specifications will come before Council at the end of this year or early January; and the Lower Sacramento Road south to Harney Lane curve wastewater infrastructure.

NOTE: Council Member Beckman left the meeting at 7:30 a.m.

Mr. Prima presented a blue sheet (filed) with a summary of the water and wastewater revenue. The PCE/TCE rate increase raised \$430,000 in the last fiscal year, which should double in the first six months of this fiscal year due to the most recent increase. The concern, however, is Measure H on the November ballot, which could potentially roll back the rate and result in a refund of \$1.4 million. Revenues in wastewater were slightly over budget. He pointed out that the Central Plume was broken out due to the fact that it is a trust account containing settlement monies and the City contribution. There was a decrease due to PCE/TCE litigations being funded, as well as maintaining the capital program. Wastewater had a large cash balance at the beginning of the year due to the COP, which is starting to be drawn down.

Electric Utility Director Morrow reported that the bottom line for electric utility is an unrestricted cash balance of \$3.6 million, which is improved from the original target of \$3.2 million. Sales revenue is down \$1 million from the projection that was done at the beginning of the calendar year. Other revenues and non-power costs are both up, which

includes capital. Debt service increased slightly and the transfer to the general fund is down \$500,000. Working capital was reduced at the beginning of the year from \$7.3 million to \$3.6 million. Two positive events occurred to move the utility to a better outlook: it received an additional refund of \$1.7 million from Pacific Gas & Electric for transmission service charges and it sold surplus materials in the amount of \$300,000.

In response to Mayor Hitchcock's question regarding debt service, Mr. Morrow replied that the swap agreements have variable rates, as well as different levels of principle and interest. He pointed out that in 2008 the debt service will increase \$3 million, which was intended to match the \$3 million reduction in the Northern California Power Agency (NCPA) debt service.

Mr. Morrow reported that the actual cost for operating expenses was \$9 million, and the budget amount was \$10.3 million. Labor costs were down significantly from what was budgeted. The beginning cash balance for fiscal year 2006 was \$12.4 million, of which \$1.7 million was used for operating/capital expenses of the utility. The current balance is \$10.3 million, some of which will be spent on the Killelea Substation rehabilitation and the installation of the 60kV west side line, which will leave an ending cash balance of \$6.5 million. The sales breakdown for the last fiscal year shows one third of sales to residential, a third to small commercial, and another third to larger commercial/industrial. The figures reflect a year and a half of the rate increase, which decreased the industrial rate; however, that will increase this year. The balance of the NCPA general operating reserve is \$3.1 million, which includes a refund of \$1.8 million received last August. The sales revenue forecast show revenues increasing slightly; however, power costs will also increase in fiscal year 2007, which will result in a break even on a \$67 million budget. Over 60% of the cost structure is power supply, and the figures show a decline going forward. Fiscal year 2007 is projected to have a healthy cash balance; however, it will not be built up. He pointed out that the \$3 million spike in debt service in fiscal year 2008 will decrease the net income and cash balance. Staff will be looking to address this issue during the 2008 budget discussions and will come forward with recommendations. The trend going forward indicates that expenses will exceed costs.

In response to Mayor Hitchcock, Mr. Morrow agreed this is due to the increase in cost of power and the spike in debt service, as well as the rates remaining the same. If nothing changes during the next budget cycle, there will need to be discussion regarding rates.

In response to Mayor Pro Tempore Johnson, Mr. Morrow clarified that sales are projected to increase nominally each year. With the exception of the balloon debt payment in 2008 and a smaller spike in 2011, Mr. Morrow was not aware of any other aberrations.

Mr. Morrow demonstrated the forward market price projections. He stated that NCPA made some optimistic forecasts of power costs in its budget, which Lodi adopted into its budget, and staff found that it cannot purchase power for those numbers; therefore, the purchase power costs were upgraded to reflect the actual costs.

Myrna Wetzel questioned if these prices were comparable to gas prices that fluctuate with the market, to which Mr. Morrow replied in the affirmative.

Mr. Morrow reported that the original projection was a \$1.7 million balance at the end of the year; however, it ended at \$3.6 million. Currently, the utility is well hedged for fiscal year 2007 and is locked going forward. Mr. Morrow demonstrated the fluctuation and volatility of the energy market and purchasing power on the short and long-term markets. At the October 18 Council meeting, staff will seek authority to purchase energy for fiscal year 2008, as the current authorization ended at fiscal year 2007.

Mayor Hitchcock questioned if the projections included the Roseville insurance policy, to which Mr. Morrow replied in the negative as that decision has not been solidified. Should it be successful, it could be a significant positive change for Lodi.

Mayor Pro Tempore Johnson asked if there was adequate staffing to study the trends, to which Mr. Morrow stated that Lodi hired and paid for that expertise at NCPA. He believed it was more efficient and economic to have that aggregate strength in one central location. Each member agency receives weekly reports on the energy market, and NCPA has economists to make recommendations. Mr. Morrow stated that he has been very impressed with NCPA, but he believed that every agency should still closely monitor the situation, and he continually shares information with the risk oversight committee. NCPA is looking to formalize a new buying program that would go out five years versus one year, to which Mr. Johnson questioned if the City could participate in such a program considering its financial condition. Mr. Morrow believed it would be manageable and that the line of credit could be used as a way to secure future purchases. The program would rely on the credit of NCPA and the members as a whole, which would be a benefit to Lodi.

Council Member Mounce expressed concern regarding the comment made earlier about NCPA's projection on the cost of power, particularly if Lodi is relying on the information, and further questioned who was on the oversight committee. Mr. Morrow explained that NCPA looks at two different cost structures going forward: one is the market cost view, which is a global, stable pricing scheme, and the market cost curve, which is the price at which one could buy power today. Not all of the members understood the difference between the two different models. The risk oversight committee consists of the City Manager, Deputy City Manager, City Attorney, and the Electric Utility Director.

Mr. King stated that the Department has been short two key management positions since 2003-04, one of which was recently filled and the other recruitment currently underway. Mr. King stated that the City was utilizing the consultant firm of McDonald Partners, which was very competent, but it only had a narrow view as it was not aware of how much was in reserves and what the rates were. He believed it was beneficial to have internal knowledge to understand the complete picture. Staff intends to bring forward a reserve policy during the 2007-08 budget process and will continue the practice of bringing to Council authorization to purchase power. Currently, the City is limited to a 12-month forward purchase with NCPA, with the exception of single-member purchase agreements; however, Lodi's weakened financial condition and credit rating would have a negative affect on this type of purchase. It would be more beneficial to purchase power as a group and use a collective credit rating.

In response to Council Member Mounce, Mr. Morrow stated that staff will be returning to Council at its next meeting with an agreement for the Killelea Substation redesign technical work. Ms. Mounce stated that the neighbors are eager for this project because of the vacant house that is routinely vandalized. As part of the project, the property will be acquired and there will be significant improvement to that section of the neighborhood.

Mr. King stated that he received citizen requests to view the City's unaudited year-end statements, which is not consistent with past practice, as well as the practice of cities within San Joaquin County. He reported that he made the information available on the website and stressed that the figures were unaudited.

In response to Mayor Hitchcock, Mr. Krueger stated that the City is being as transparent as possible and he was comfortable with the decision. The City Attorney had opined that these reports were on the Intranet and available for request by the public. In addition, the report was clearly marked that it was a preliminary report, subject to audit.

Mayor Pro Tempore Johnson believed it was a mistake to break past practice and cause staff extra effort to publish unsubstantiated reports, to which Mayor Hitchcock concurred.

Mr. King stated that in the future he would like to see the audits performed earlier and he intends to work with the auditors on getting an accelerated audit.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:31 a.m.

ATTEST:

Jennifer M. Perrin
Interim City Clerk



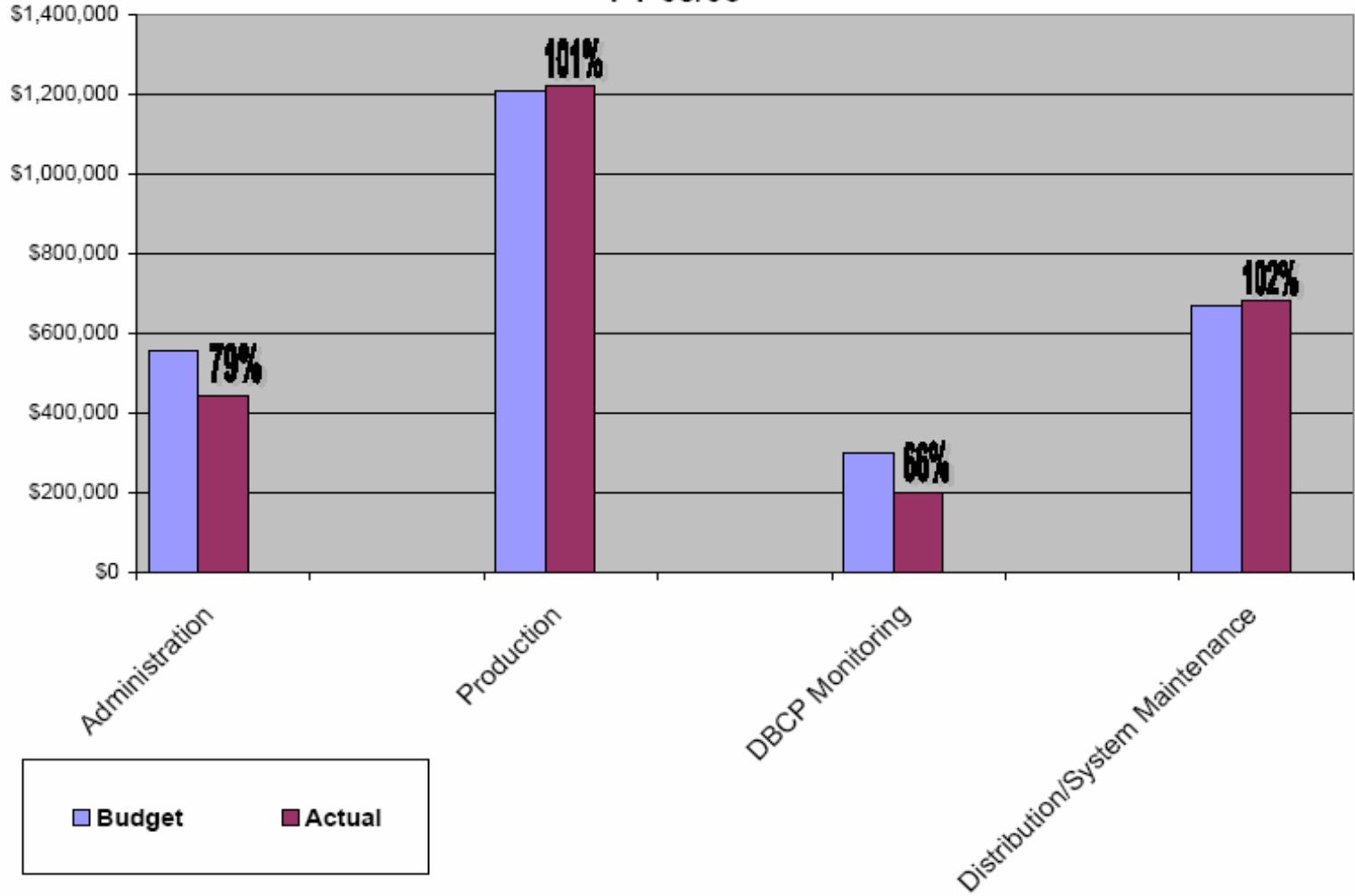
Public Works Department Water/Wastewater Quarterly Update

(Based on Preliminary, Unaudited FY 05/06 End of Year Reports)

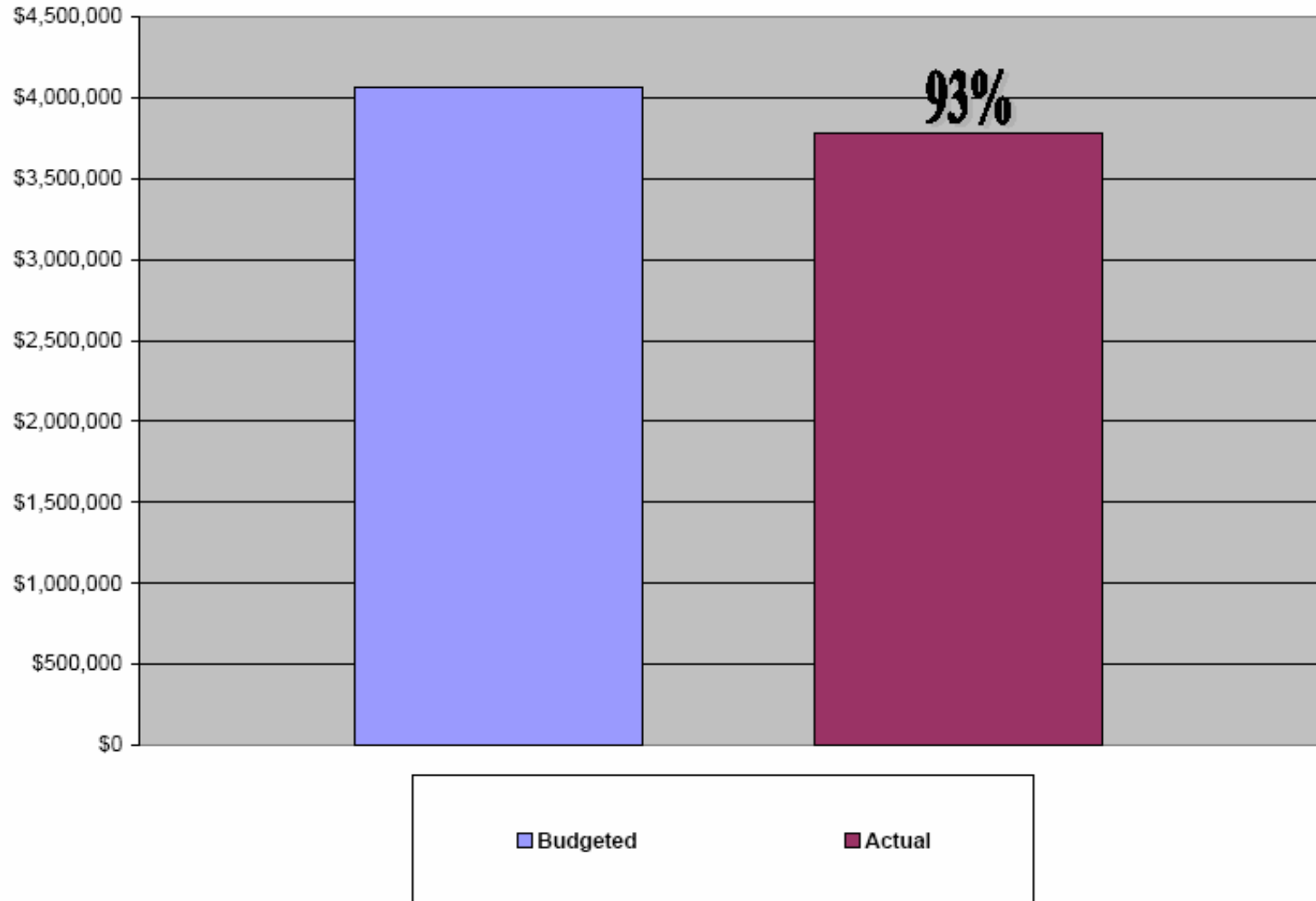
October 10, 2006

Shirtsleeve

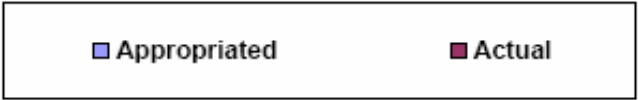
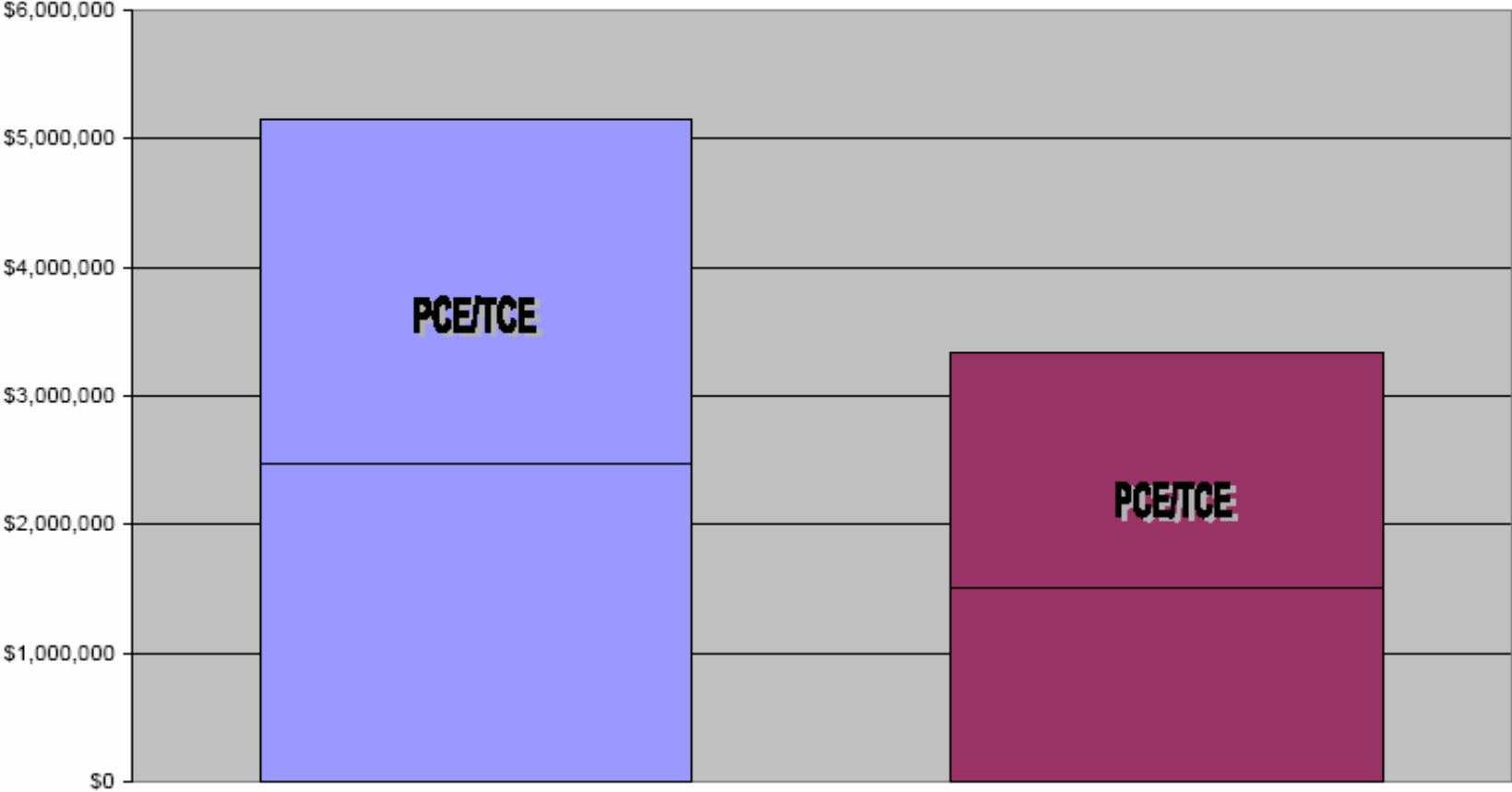
**Water Operating Expense
FY 05/06**



**Water Operating Expense FY 05/06
(Total of All Accounts)**



**Water Capital FY 05/06
(All Water Funds)**

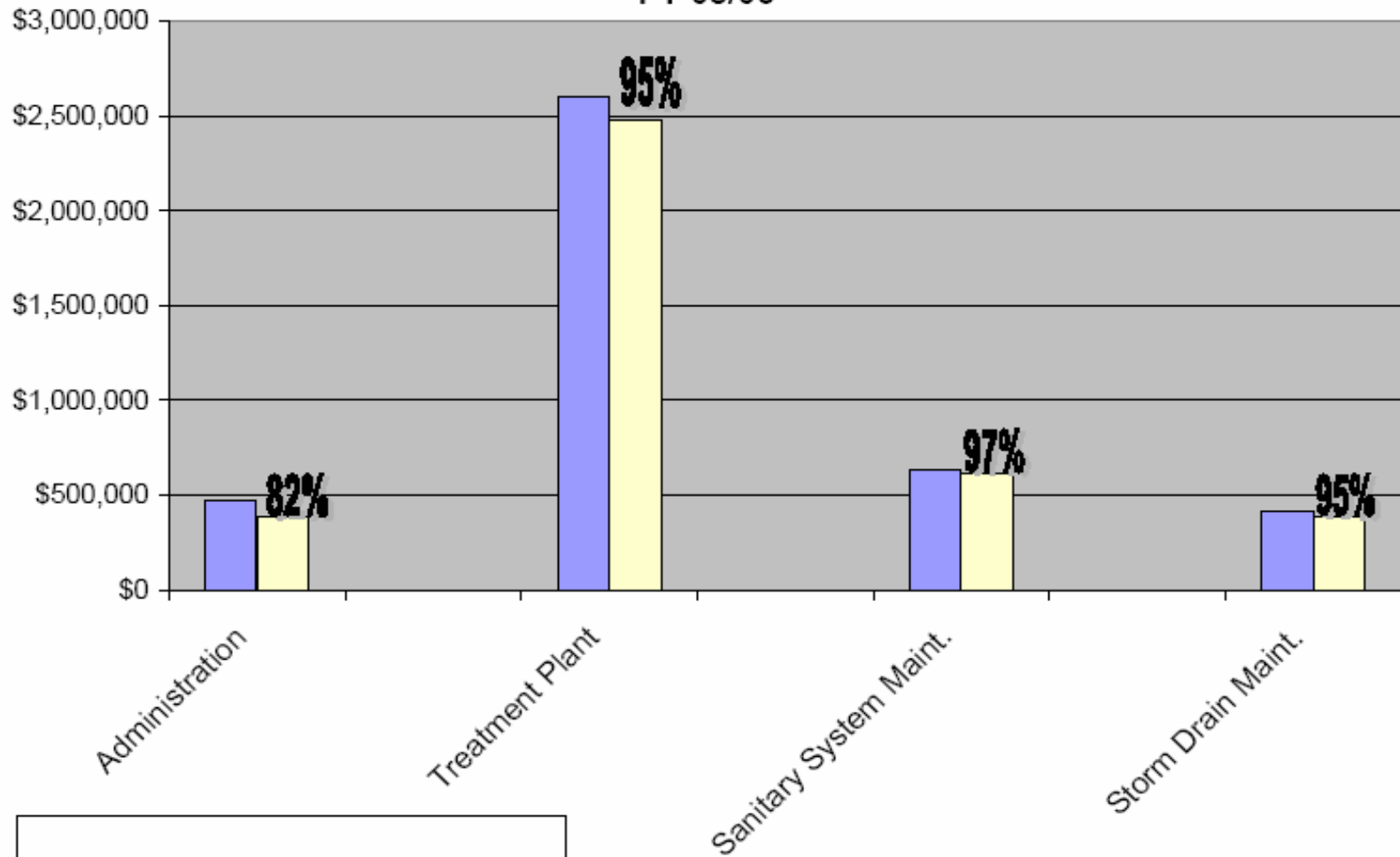


Water Capital Projects

FY 05/06

- **Water Main Replacement Project #2 - \$209K**
- **Olive/Lockeford Water Main - \$335K**
- **Well #22 Generator - \$100K**
- **Lower Sacramento Road South - \$230K**
- **Harney Lane Curve - \$110K**

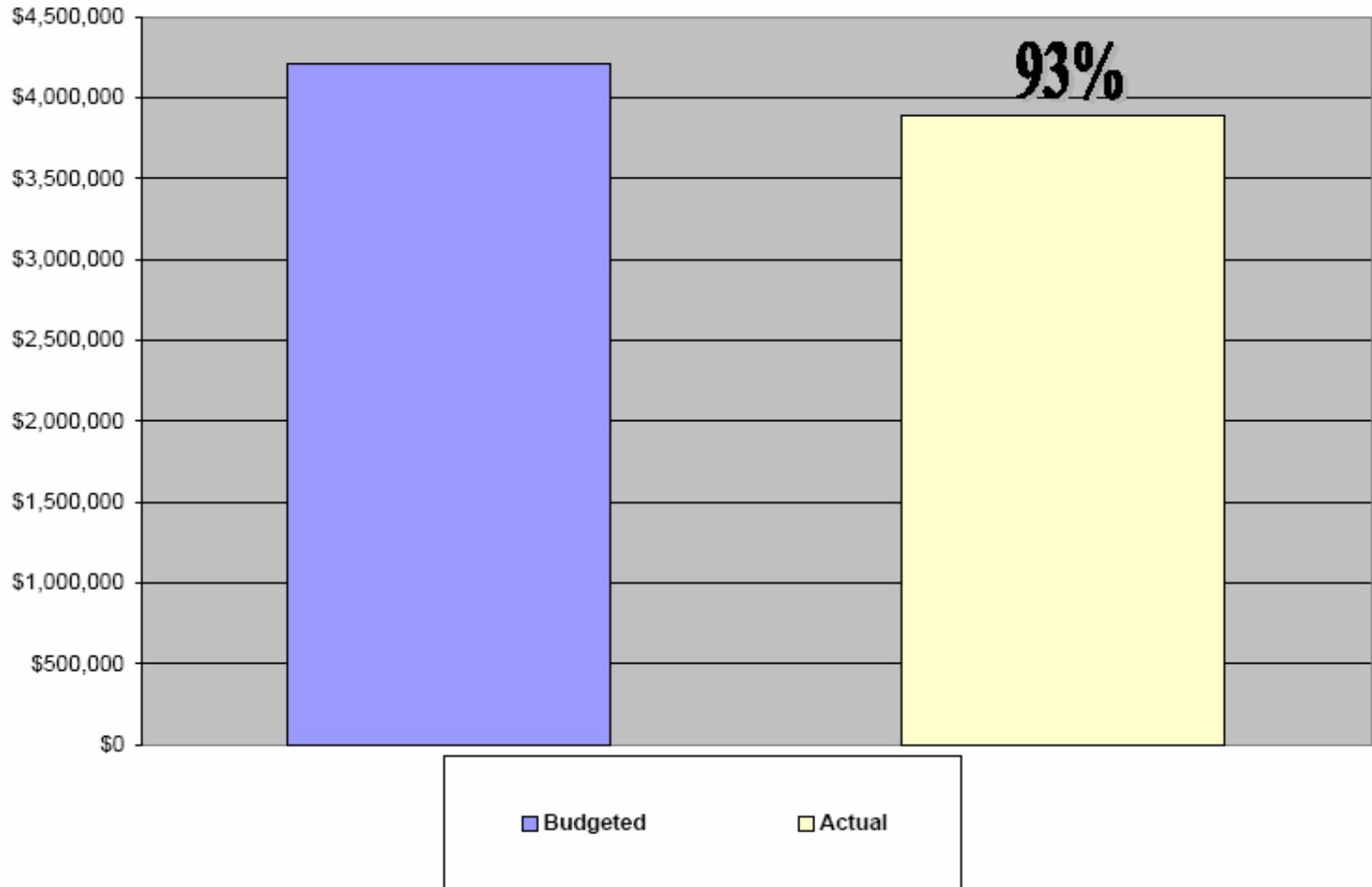
Wastewater Operating Expense FY 05/06



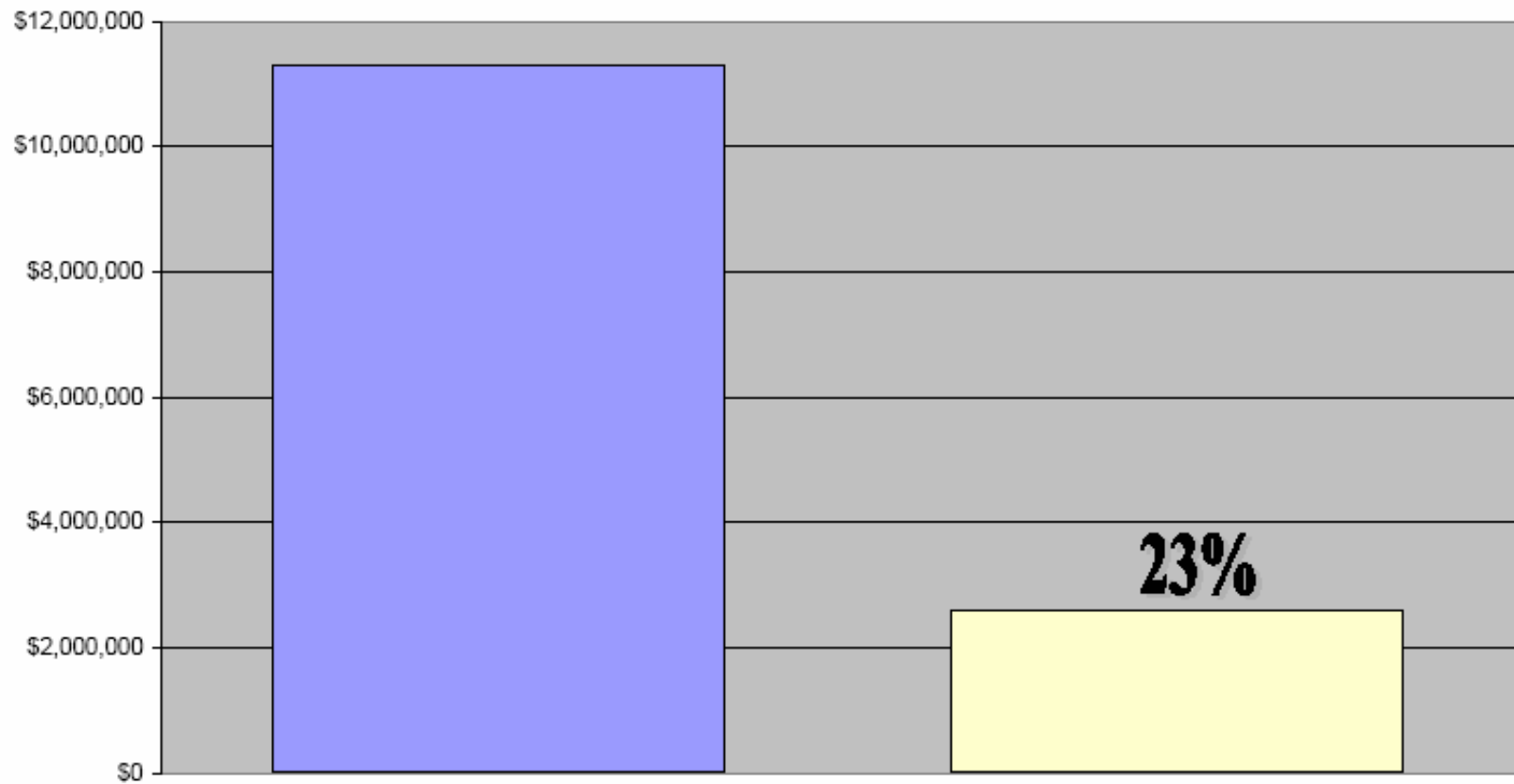
Budget

Actual

Wastewater Operating Totals FY 05/06 (Total of All Wastewater Accounts)



Wastewater Capital Projects FY 05/06 (All Wastewater Funds)



■ Appropriated

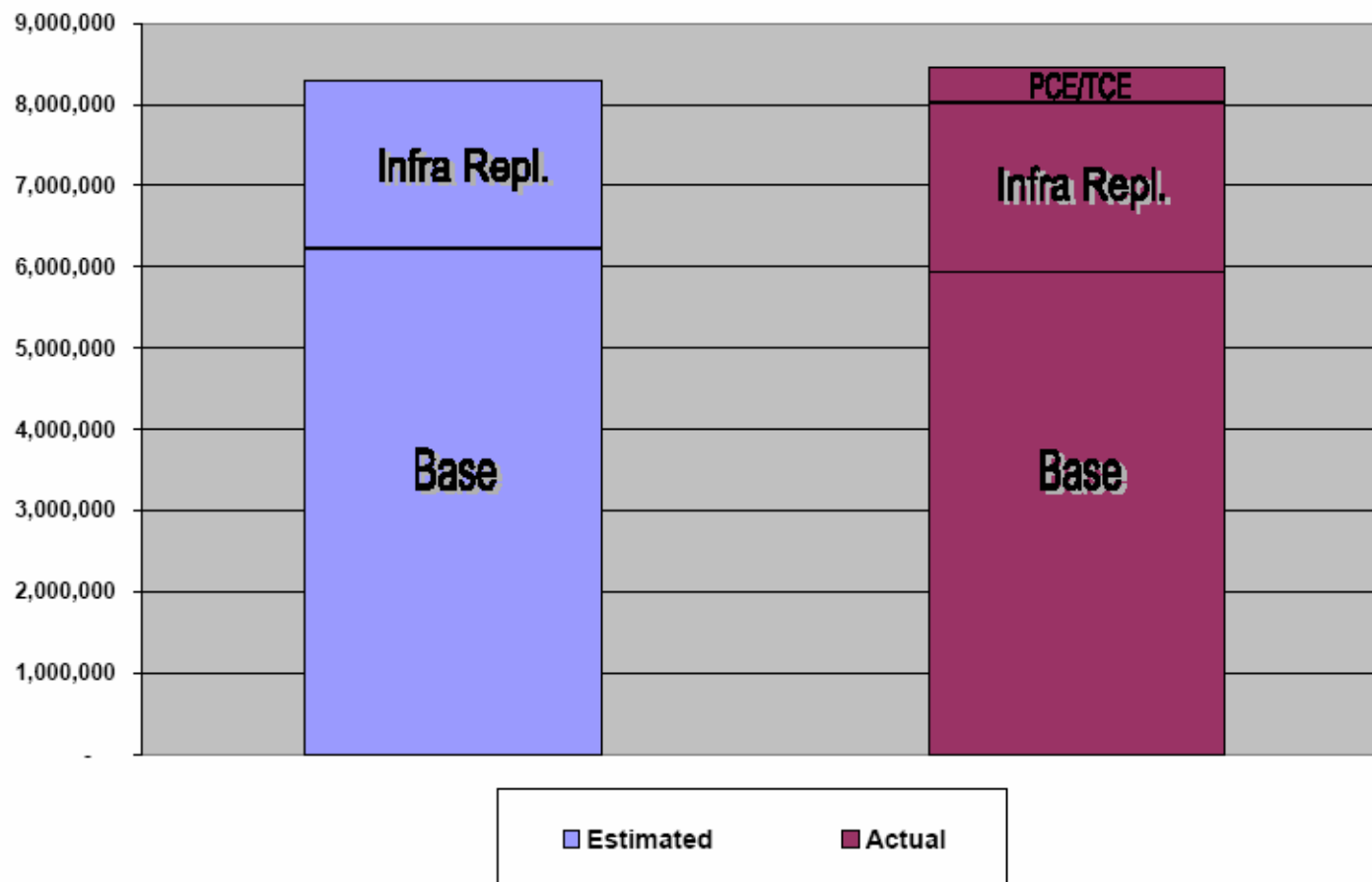
■ Actual

Wastewater Capital Projects

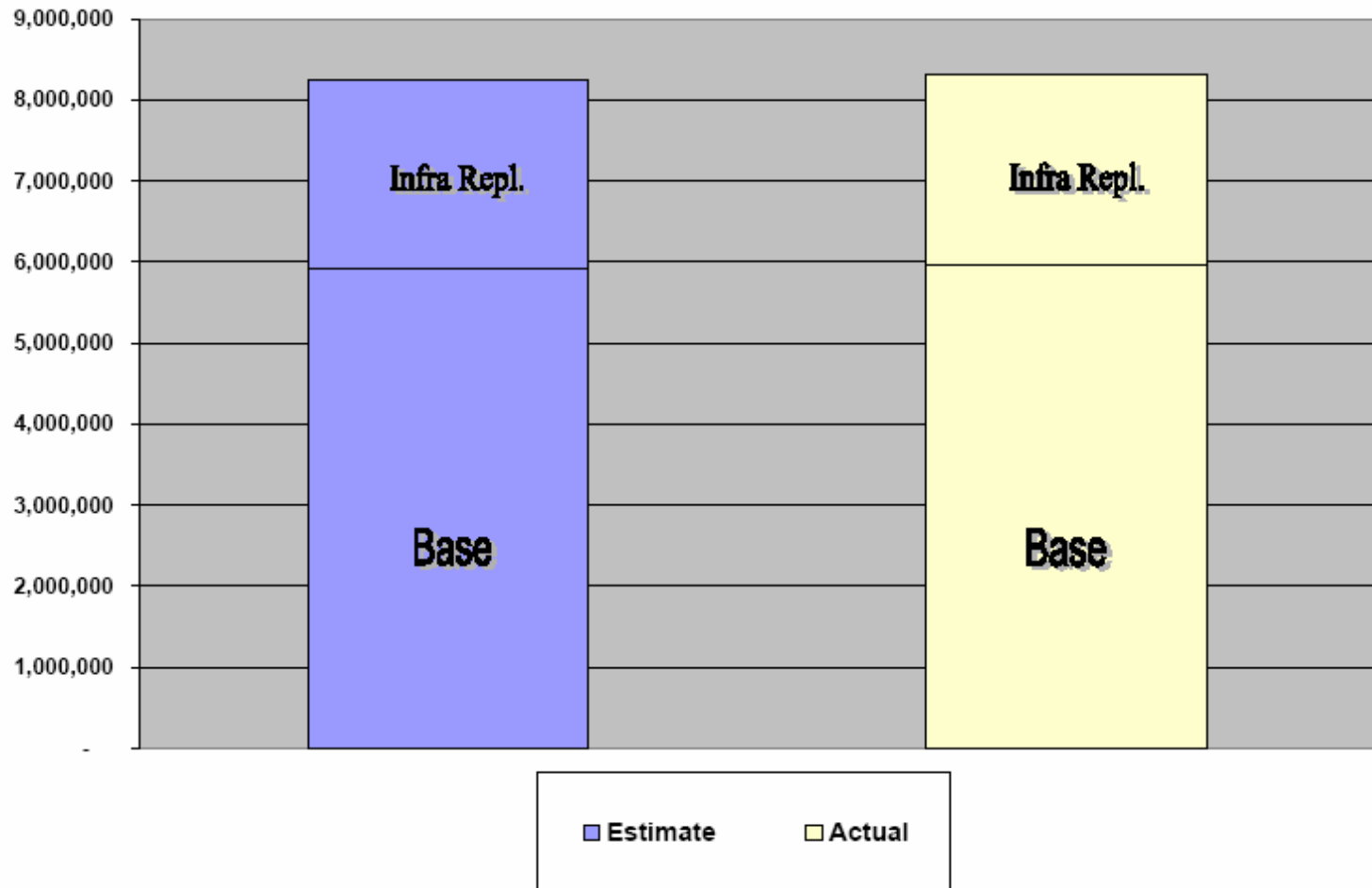
FY 05/06

- WSWPCF 2004 Improvements - **\$1.27m**
- WSWPCF Phase 3 Design - **\$533K**
- Lower Sacramento Road South - **\$138K**
- Harney Lane Curve - **\$100K**

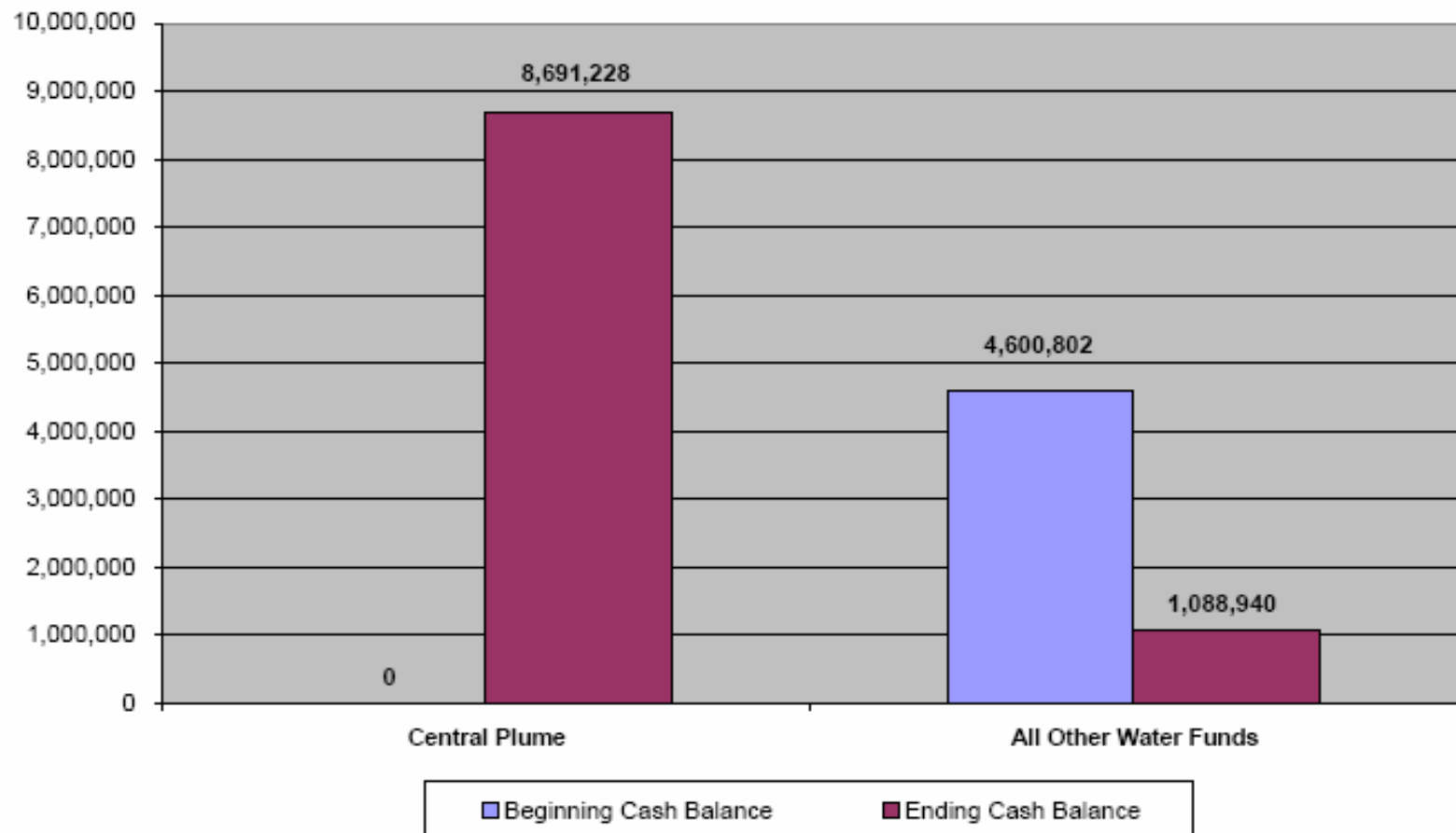
Water Revenue FY 05/06



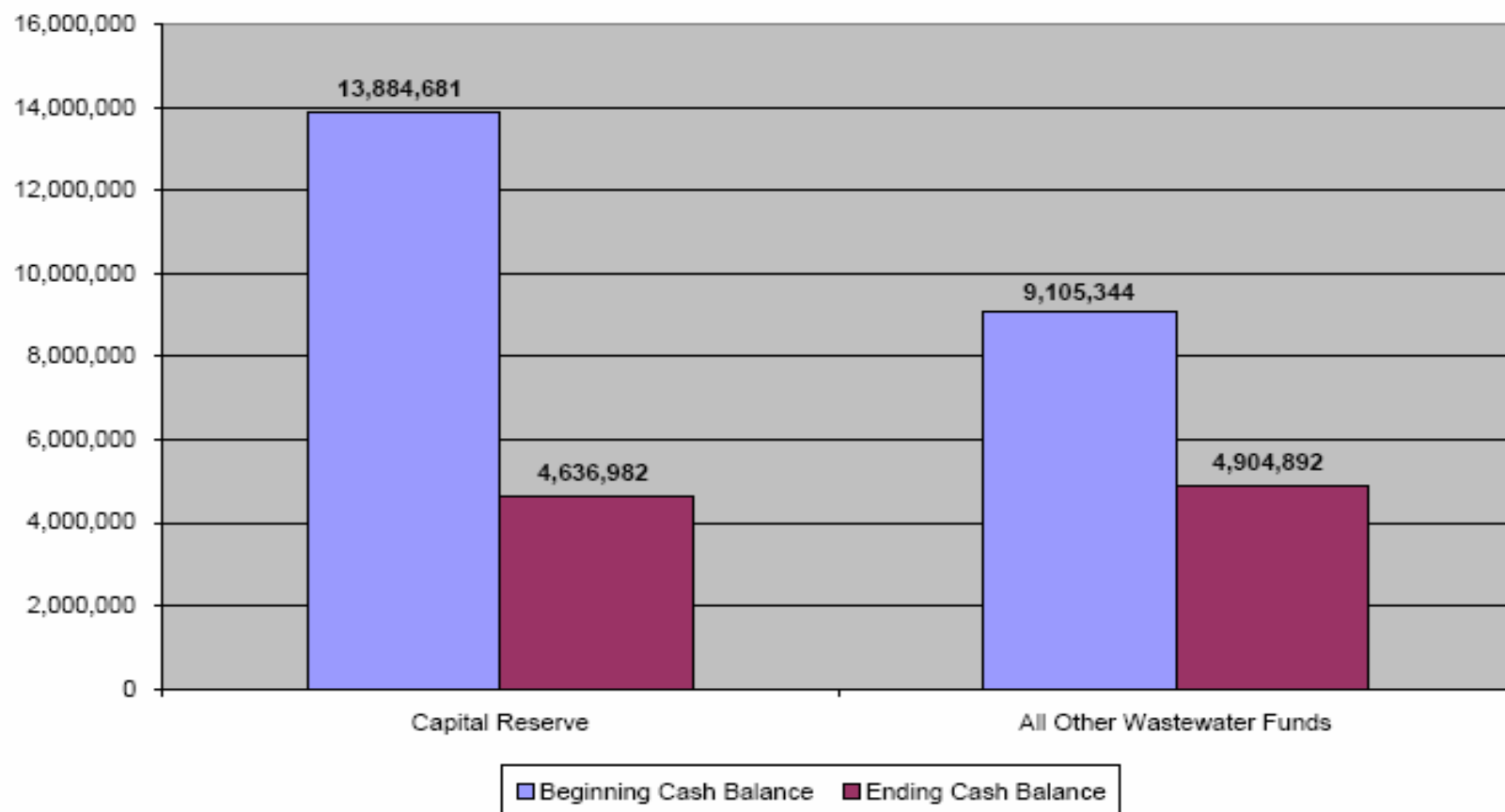
Wastewater Revenue FY 05/06



Water Funds
Change in Cash Balance FY 05/06



Wastewater Fund
Change in Cash Balance FY 05/06



	FY '05/'06	FY 05/06		
	Budget	Actual		
Administration (180451)				
Personnel	377,020	270,060		
Utilities	2,150	1,402		
Supplies, Materials & Services	106,387	124,729		
Equipment, Land & Structures	2,000	1,076		
Special Payments	66,580	42,482		
Total	554,137	439,748	79%	
Conservation (180413)				
Personnel	100,790	25,153		
Utilities	1,200	375		
Supplies, Materials & Services	5,650	3,455		
Total	107,640	28,983	27%	
Damage to Property (180152)				
Personnel	6,000	6,337		
Supplies, Materials & Services	3,000	210		
Special Payments	0	336		
Total	9,000	6,883	76%	-
Production (180453)				
Personnel	69,397	69,161		
Utilities	879,700	681,408		
Supplies, Materials & Services	78,097	92,839		
Work for Others	173,103	374,941		
Special Payments	8,000	36		
Total	1,208,297	1,218,385	101%	-
DBCP Monitoring (180454)				
Personnel	54,694	50,511		
Utilities	220	185		
Supplies, Materials & Services	244,900	145,943		
Total	299,814	196,639	66%	-
Distribution (180456)				
Personnel	579,174	582,128		
Utilities	0	38		
Supplies, Materials & Services	88,898	87,248		
Special Payments	0	13,581		
Total	668,072	682,995	102%	-
Fire Hydrants (180457)				
Personnel	17,954	6,380		
Supplies, Materials & Services	2,250	926		
Total	20,204	7,306	36%	-
WID Water Purchase (180459)				
Water Purchase	1,200,000	1,200,000.00		
Total	1,200,000	1,200,000.00		-
Total Personnel	1,205,029	1,009,729.13		
Total Utilities	883,270	683,408		
Total Supplies, Materials & Services	529,182	455,349.98		
Total Work for Others	173,103	374,941		
Total Equipment, Land & Structures	2,000	1,076		
Total Special Payments	74,580	56,435		
Total Water Purchase	1,200,000	1,200,000.00		
Total Water Budget	4,067,164	3,780,939.14	93%	

<u>Water Capital Project</u>	<u>FY 05/06 Approp</u>	<u>Actual Spent 05/06</u>
MSC Expansion	12,755	12,794
The Villas	25,500	0
Vintner's Square	52,500	0
Surface Water Design	167,000	0
Water System N/Harney	4,700	0
Lodi Ave Imprv	6,782	6,782
Harney Canal Crossing	35,280	31,848
1175 Guild Ave	2,960	2,960
	0	1,402
Water Master Plan	25,000	0
Lower Sac South	230,000	230,000
Harney Lane Curve	115,000	109,967
MSC Fleet Shop	27,500	0
Legacy Estates	14,000	2,566
Well #22 Generator	82,104	100,279
Well #27	173,521	41,337
1349 E Kettleman	7,500	0
Legacy Estates	5,500	0
Recyled Water Plan	10,000	5,975
Water Supply Planning	91,102	1,264
Surface Water Program	333,000	0
Water Transfer	10,000	6,190
Urban Water Mgmt Plan	50,000	47,302
Olive/Lockeford Water Main	350,000	335,062
Legal Fees - DBCP	0	67,030
MSC Fleet Shop	55,000	0
Water Taps	40,000	133,657
Misc Water Mains	54,293	23,986
Water Meters	180,000	117,774
Misc System Relocations	48,214	18,698
Water Main Repl #1	0	503
Well Generators	15,699	0
Repaint Water Tank	70,000	2,188
Water Main Repl #2	172,547	208,857
T&R Task 2	6,491	5,230
T&R Task 5	17,986	0
PCE/TCE Rate Analysis	0	25,176
PCE/TCE	744,600	1,214,208
PCE/TCE Central Oversight	32,000	22,097
T&R Task 2-Central Plume	36,622	12,822
T&R Task 3-Central Plume	23,503	146
T&R Task 4-Central Plume	30,626	17,071
T&R Task 5-Central Plume	83,272	135
T&R Task 6-Central Plume	73,005	42,302
T&R Task 7-Central Plume	101,680	95,651
T&R Task 8-Central Plume	380,000	20,207
T&R Task 2 - All Plumes	9,665	68,965
T&R Task 5 - All Plumes	35,971	406
T&R Task 9-South Central Western	129,390	14,749
PCE/TCE Central Oversight	0	116,298
T&R Task 2-Central Plume	23,800	8,663
T&R Task 3-Central Plume	23,357	0
T&R Task 4-Central Plume	15,380	664
T&R Task 5-Central Plume	83,137	0
T&R Task 6-Central Plume	171,502	57,826
T&R Task 7-Central Plume	6,029	15,018
T&R Task 8-Central Plume	661,793	82,847
PCE/TCE Total	2,689,809	1,820,481
Totals	5,157,266	3,328,902
Water Total	2,467,457	1,508,421

	FY '05/'06 Budget	FY '05/'06 Actuals		
Administration (170401)				
Personnel	361,736	264,466		
Utilities	2,000	1,408		
Supplies, Materials & Services	102,759	117,464		
Equipment, Land & Structures	3,500	1,076		
Special Payments	1,500	1,298		
Total	471,495	385,711	82%	
Damage to Property (170152)				
Personnel	0	1,493		
Supplies, Materials & Services	4,000	0		
Special Payments	0	(143)		
Total	4,000	1,350	34%	-
Plant Maintenance (170403)				
Personnel	1,275,225	1,120,128		
Utilities	704,625	693,727		
Supplies, Materials & Services	443,574	458,608		
Work for Others	99,260	145,886		
Equipment, Land & Structures	16,900	9,443		
Special Payments	59,530	50,269		
Total	2,599,114	2,478,062	95%	-
Sanitary System Maint. (170404)				
Personnel	544,524	535,790		
Utilities	20,400	20,289		
Supplies, Materials & Services	46,054	44,886		
Work for Others	18,506	8,073		
Special Payments	0	1,257		
Total	629,484	610,295	97%	-
Storm Drain Maint. (170405)				
Personnel	196,974	206,216		
Utilities	28,900	5,716		
Supplies, Materials & Services	41,289	44,683		
Work for Others	15,800	20,394		
Equipment, Land & Structures	39,425	25,915		
Special Payments	87,150	85,884		
Total	409,538	388,808	95%	-
Supplement Enviro. (170413)				
Personnel	19,000	14,870		
Total	19,000	14,870	78%	-
Watershed Ed Grant (170414)				
Utilities	0	16		
Supplies, Materials & Services	60,000	33,026		
Special Payments	0	1,500		
Total	60,000	34,543	58%	
Industrial System Maint. (170442)				
Personnel	4,972	1,597		
Utilities	5,550	2,231		
Supplies, Materials & Services	3,200	200		
Work for Others	1,400	0		
Total	15,122	4,028	27%	
Total Personnel	2,402,431	2,144,560		
Total Utilities	761,475	723,387		
Total Supplies, Materials & Services	700,876	674,270		
Total Work for Others	134,966	174,353		
Total Equipment, Land & Structures	59,825	36,434		
Total Special Payments	148,180	140,065		
Total Wastewater Budget	4,207,753	3,893,070	93%	

<u>Wastewater Capital Project</u>	<u>FY 05/06 Approp</u>	<u>Actual Spent 05/06</u>	
MSC Expansion	12,367	12,813	
Vintner's Square	17,500	0	
Lower Sac South	138,000	138,010	
G Basin excavation	150,000	0	
WW Collection Master Plan	25,000	0	
Harney Lane Curve	265,000	100,000	
MSC Fleet Shop	27,500	0	
T&R Task 2	11,577	3,173	
T&R Task 5	17,986	0	
Main Replacement #2	22,381	60,080	
PCE/TCE Rate Analysis	0	6,400	
Turner Road Pump Station	50,000	56	
Olive/Lockeford Water Main	30,000	25,124	
Lodi Ave Overlay	0	175,346	
MSC Fleet Shop	55,000	0	
PCE/TCE	744,600	82,564	
MSC Reconstruct Pavement	75,840	0	
Misc System Relocation	15,000	24,904	
Wastewater Taps	35,532	13,799	
Mainline Trunk CC Study	25,151	0	
Main Replacement #3	836,000	241	
WSWPCF Phase 1 Design	208,192	53,325	
WS Irrigation System Expansion	2,987	93	
Value Engineering	58,315	0	
Capacity Fee Update	16,490	8,886	
Standby Power Design	30,257	17,800	
Groundwater Investigation	310,000	94,405	
WSWPCF 2004 Improvements	2,941,040	1,270,137	
WSWPCF Phase 3 Design	1,600,000	533,286	
Land Acquisition	3,500,000	0	
Recycled Water	75,000	0	
Primary Sedimentation	34,225	11,155	
UV Disinfection Equip	200,981	0	
Aeration Panels	26,795	0	
Groundwater Monitoring	214,676	0	
Sphere of Influence	8,928	0	
WS Roadway Imprv	30,000	0	
Alternative Waste Discharge	176,021	34,129	
Bishop Cut Flow Monitoring	40,316	14,238	
Aeration Blower Replacement	10,922	0	
Telephone system upgrade	46,200	0	
PCE/TCE Total	774,163	92,137	
Totals	12,085,779	2,679,964	
Wastewater Capital	11,311,616	2,587,827	23%

Water Revenue

	<u>Estimated</u>	<u>Received</u>	
City/Other Accounts	6,227,343	5,944,583	
Infrastructure Repl	2,053,956	2,080,144	
PCE/TCE	-	431,354	
Totals	8,281,299	8,456,081	102%
IMF	187,000	119,482	

Wastewater Revenue

	<u>Estimated</u>	<u>Received</u>	
City/Other Accounts	5,915,043	5,967,117	
Infrastructure Repl	2,329,932	2,340,603	
Totals	8,244,975	8,307,721	101%
IMF	24,000	261,406	
Capacity Fees	565,000	720,588	



Electric Utility Department

FY06 Quarterly Update

(Through June 30, 2006)

City Council Shirtsleeve Session
October 10, 2006



Overview

- **FY06 Year-end Results** (unaudited)
- **Financial Forecast**
- **Power Supply Update**
- **Electricity & Natural Gas Trends**



FY06 Financial Results

	FY06 Actual	FY06 Target
Revenue		
Sales Revenues	59,112,591	60,072,000
Other Revenues	2,263,669	1,383,000
Total Revenues	61,376,260	61,455,000
Expenses		
Purchase Power	42,838,940	42,700,000
Non-Power Costs	11,969,730	10,660,000
Total Expenses	54,808,670	53,360,000
Net Revenue for Debt Service	6,567,590	8,095,000
Debt Service	5,963,454	5,619,000
Net Revenue	604,136	2,476,000
In-lieu Transfer To General Fund	6,050,000	6,550,000
Other changes in working capital	654,366	-
Net Increase (Decrease)	(6,100,230)	(4,074,000)
Working Capital BOY	7,342,000	7,343,000
NCPA GOR	668,035	
Bond Funds	1,721,597	
Working Capital FYE	3,631,402	3,269,000

Note: FY06 Actual Non-Power Costs include \$1.7M in capital expenses.



Electric Operating Expenses

	FY06 Actual	FY06 Budget*	FY07 Budget
Personnel	\$ 5,595,415	\$ 7,740,205	\$ 6,164,593
Supplies, Materials, Services	\$ 1,935,578	\$ 2,062,951	\$ 970,732
Equipment, Land, Structures	\$ 924,862	\$ 93,977	\$ 907,540
Other Payments	\$ 478,288	\$ 345,000	\$ 869,100
Communication & Transportation	\$ 67,944	\$ 88,280	\$ 66,070
Total Operating Expenses	\$ 9,002,087	\$ 10,330,413	\$ 8,978,035

Note: FY06 Budget does not include ~\$1 million in capital equipment costs



Bond Cash

	FY06
Beginning Balance	\$ 12,431,508
FY06 Capital Draw	\$ 1,721,597
Interest & Adjustments	\$ 329,455
Balance	\$ 10,380,456
Killelea Substation	\$ 3,678,444
60KV Westside Line	\$ 170,000
Net Bond Cash	\$ 6,532,012



FY06 Sales

Customer Class	kWh Sales	Revenue	Average Rate
Residential	159,540,557	24,303,550	\$ 0.1523
Small Commercial	160,758,313	22,823,294	\$ 0.1420
Large Commercial/Small Industrial	41,440,945	4,796,324	\$ 0.1157
Industrial	97,897,277	7,189,422	\$ 0.0734
TOTAL	459,637,092	59,112,591	\$ 0.1286



NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
 - \$266,603 (July 1, 2005)
 - \$3,113,432 (June 30, 2006)
- **Current GOR includes PG&E “refund”**
 - \$1,842,940 (August, 2006)
- **Will utilize GOR for FY07 liquidity**



Financial Forecast



Financial Forecast

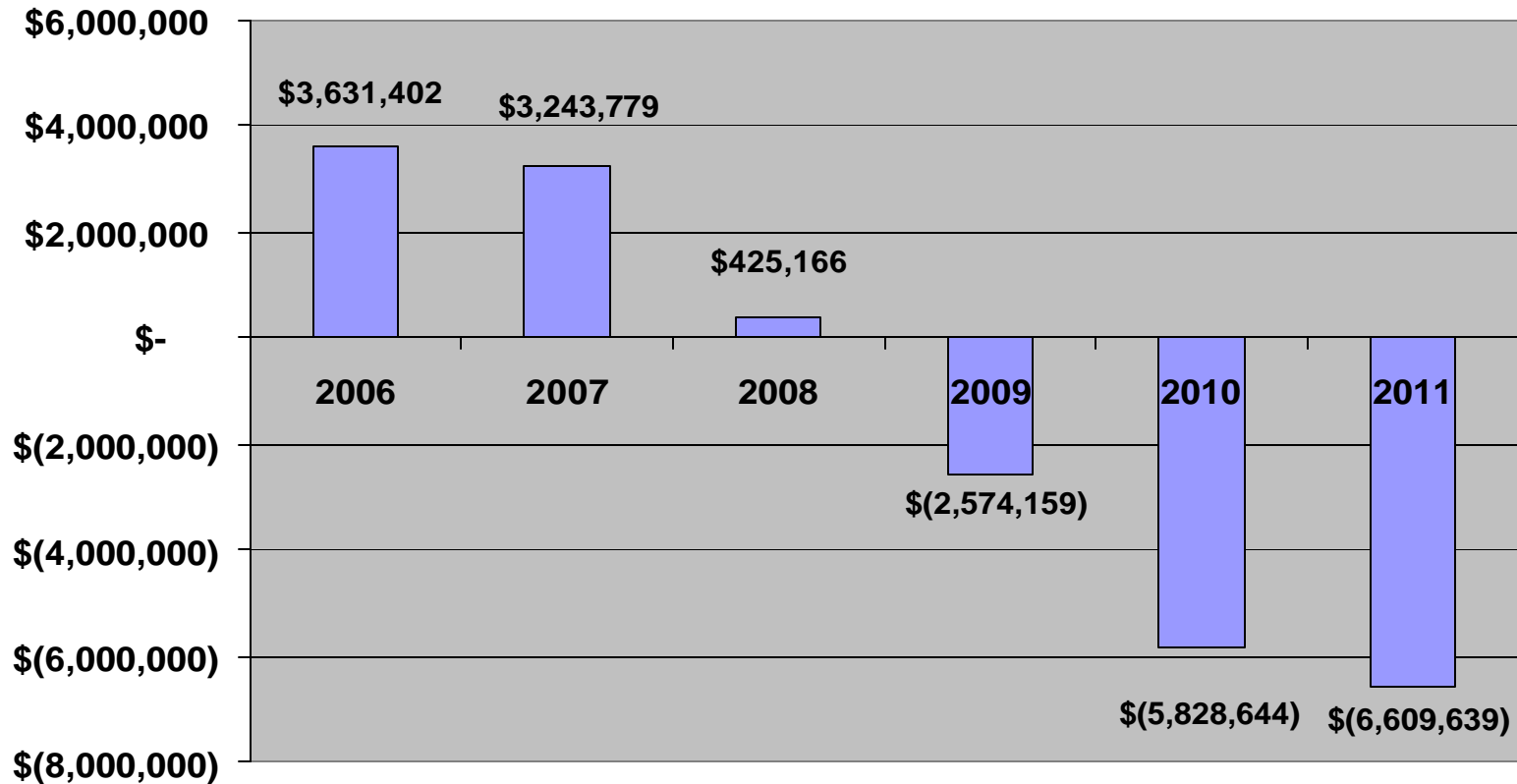
\$ in 1,000s	FY06	FY07	FY08	FY09	FY10	FY11
Revenue						
Sales revenues	59,113	66,707	67,950	69,444	71,033	72,477
Other Revenues	2,264	1,009	1,023	1,045	1,064	1,083
Total Revenues	61,377	67,715	68,972	70,489	72,097	73,560
Expenses						
Purchase Power	42,839	43,183	42,724	46,176	47,215	44,146
Non-Power Costs	11,970	11,874	13,062	13,715	14,401	15,121
Total Expenses	54,809	55,057	55,786	59,891	61,616	59,267
Net Revenue	6,568	12,658	13,186	10,598	10,481	14,293
Debt Service	5,963	6,266	9,132	6,628	6,670	7,909
Net Revenue Available for Other Purposes	604	6,392	4,055	3,969	3,811	6,383
In-lieu Transfer To General Fund	6,050	6,779	6,873	6,969	7,066	7,164
Other changes in working capital	(654)	-	-	-	-	-
Net Increase (Decrease) in Working Capital	(6,100)	(387)	(2,818)	(3,000)	(3,256)	(781)
Working Capital BOY	7,342	3,631	3,244	426	(2,574)	(5,830)
NCPA GOR (Change)	668					
Bond Funds	1,722					
Working Capital FYE	3,631	3,244	426	(2,574)	(5,830)	(6,610)



Electric Fund Balance

(Projected)

Fund Balance by Fiscal Year





Power Supply Update



FY07 “Open Position”

	Lodi Total			Lodi HLH			Lodi LLH		
	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load
July 2006	(3,513)	53,047	-6.6%	(2,083)	33,241	-6.3%	(1,430)	19,807	-7.2%
August	(2,147)	50,317	-4.3%	(1,099)	33,577	-3.3%	(1,048)	16,740	-6.3%
September	(1,630)	43,514	-3.7%	(1,310)	27,873	-4.7%	(319)	15,642	-2.0%
October	1,034	38,032	2.7%	1,583	24,153	6.6%	(549)	13,878	-4.0%
November	(1,676)	35,704	-4.7%	(2,121)	22,530	-9.4%	445	13,175	3.4%
December	(1,396)	38,981	-3.6%	(1,291)	24,104	-5.4%	(105)	14,878	-0.7%
Jan 2007	2,089	37,596	5.6%	1,940	23,956	8.1%	149	13,640	1.1%
February	(894)	33,538	-2.7%	179	21,714	0.8%	(1,072)	11,824	-9.1%
March	(716)	36,706	-2.0%	(157)	24,249	-0.6%	(559)	12,457	-4.5%
April	(525)	35,749	-1.5%	(612)	22,653	-2.7%	86	13,096	0.7%
May	(2,891)	40,080	-7.2%	(1,866)	25,606	-7.3%	(1,025)	14,474	-7.1%
June	(26)	43,732	-0.1%	106	29,416	0.4%	(133)	14,316	-0.9%
Net Total	(12,291)	486,997	-2.5%	-6,730	313,071	-2.1%	-5,560	173,926	-3.2%



Power Supply Outlook

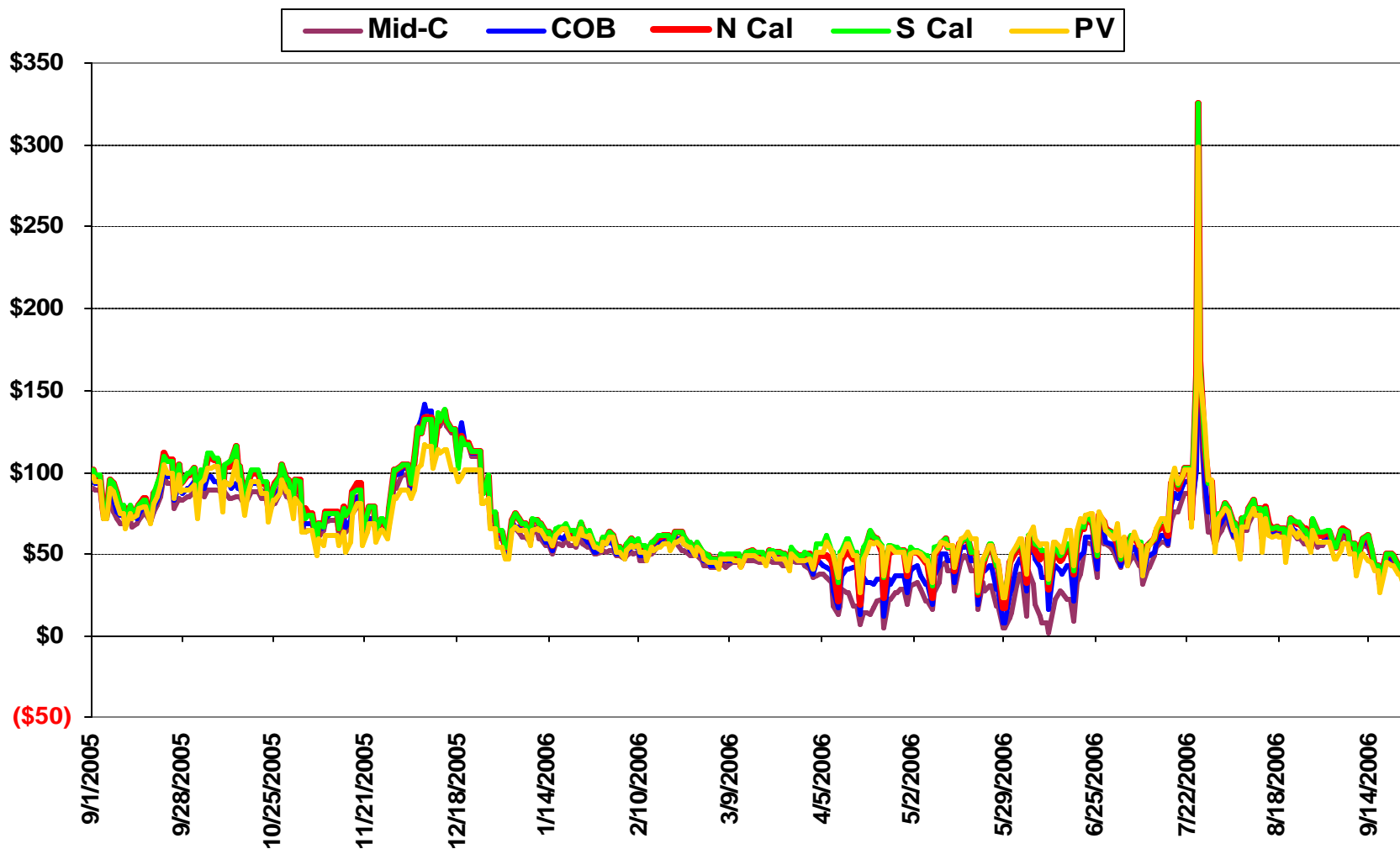
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Lodi Load	486,997	495,707	507,014	519,500	531,300
Generation	204,907	162,731	162,731	163,181	160,257
Surplus/(Deficit)	(282,090)	(332,976)	(344,283)	(356,319)	(371,043)
Purchases	269,800	0	0	0	0
Net Open Position	(12,291)	(332,976)	(344,283)	(356,319)	(371,043)
Cost to Fill	\$ (776,137)	\$ (23,095,987)	\$ (23,881,631)	\$ (23,818,240)	\$ (24,306,421)
\$/MWh	\$ 63.15	\$ 69.36	\$ 69.37	\$ 66.85	\$ 65.51



Energy Price Trends



Day Ahead Peak Electric Prices



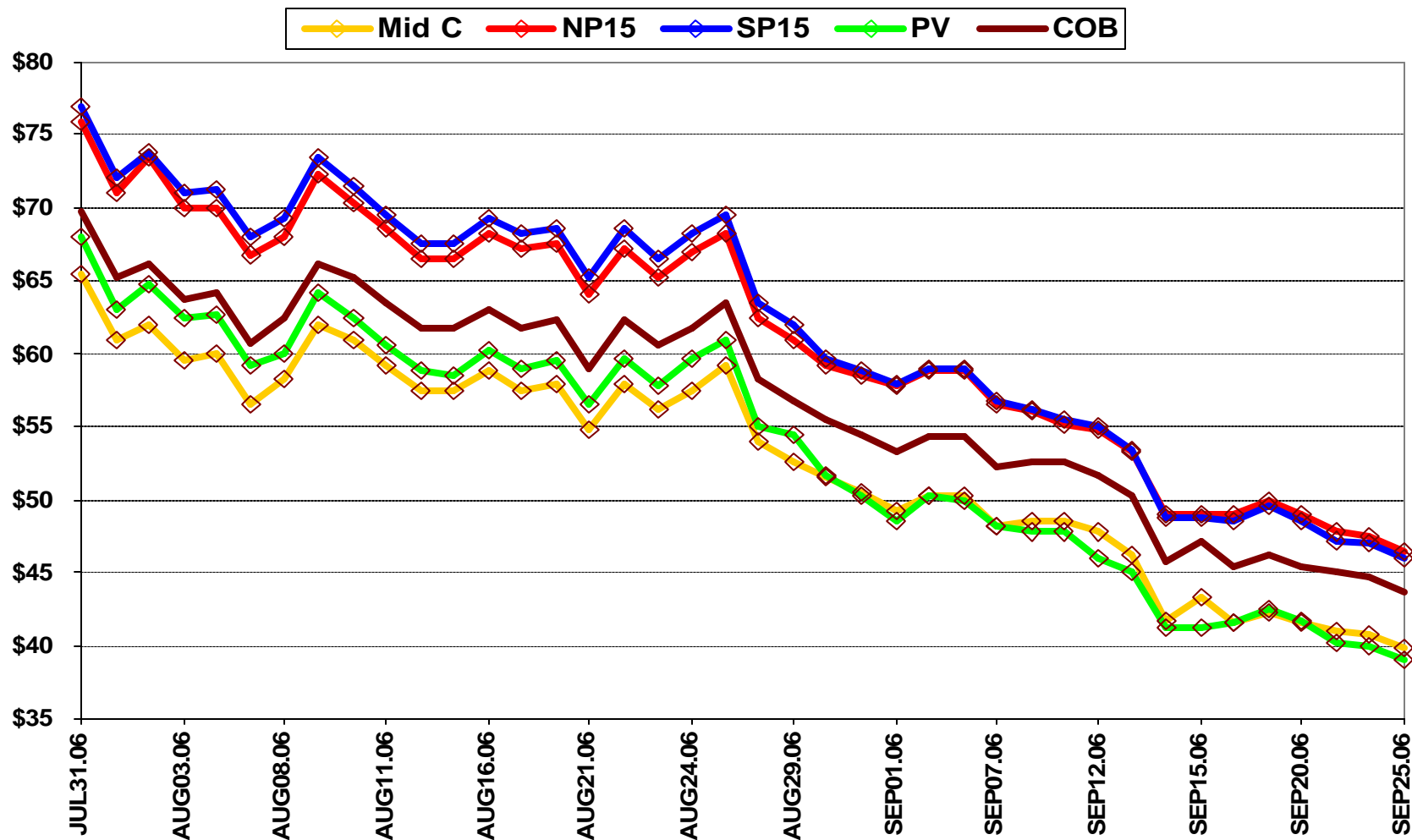


2006 Power Prices



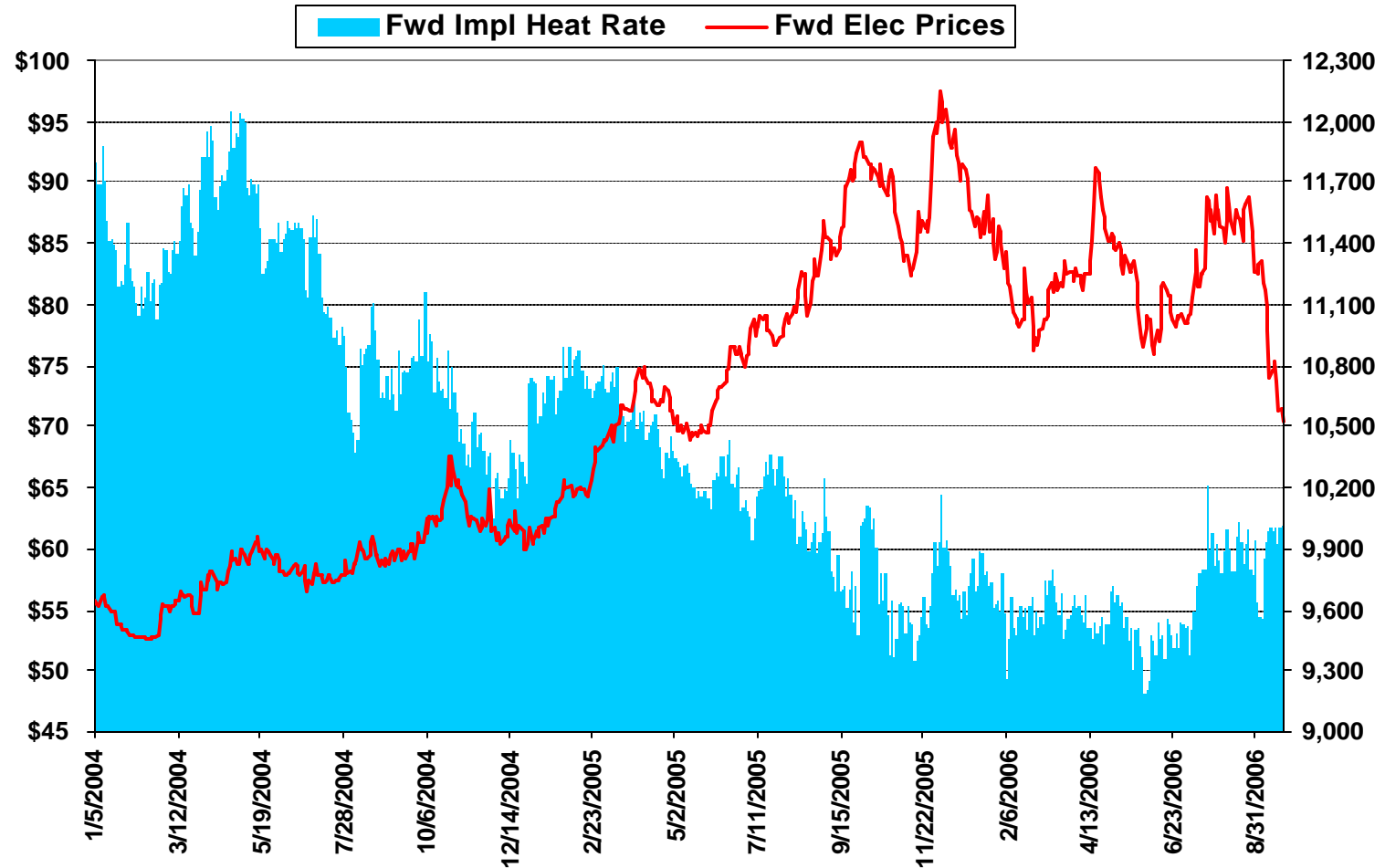


October 2006 Electric Prices



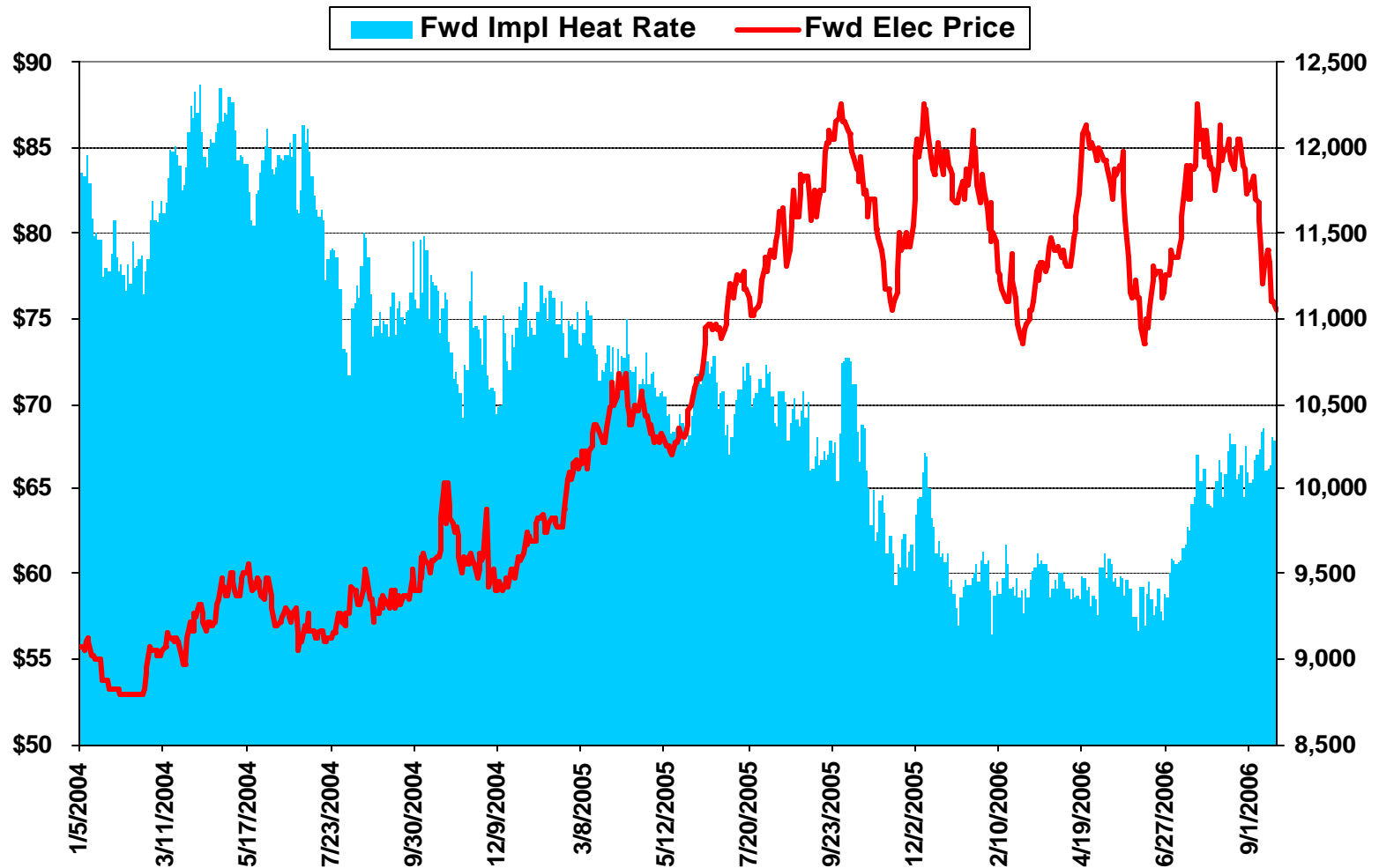


2007 Electric Prices





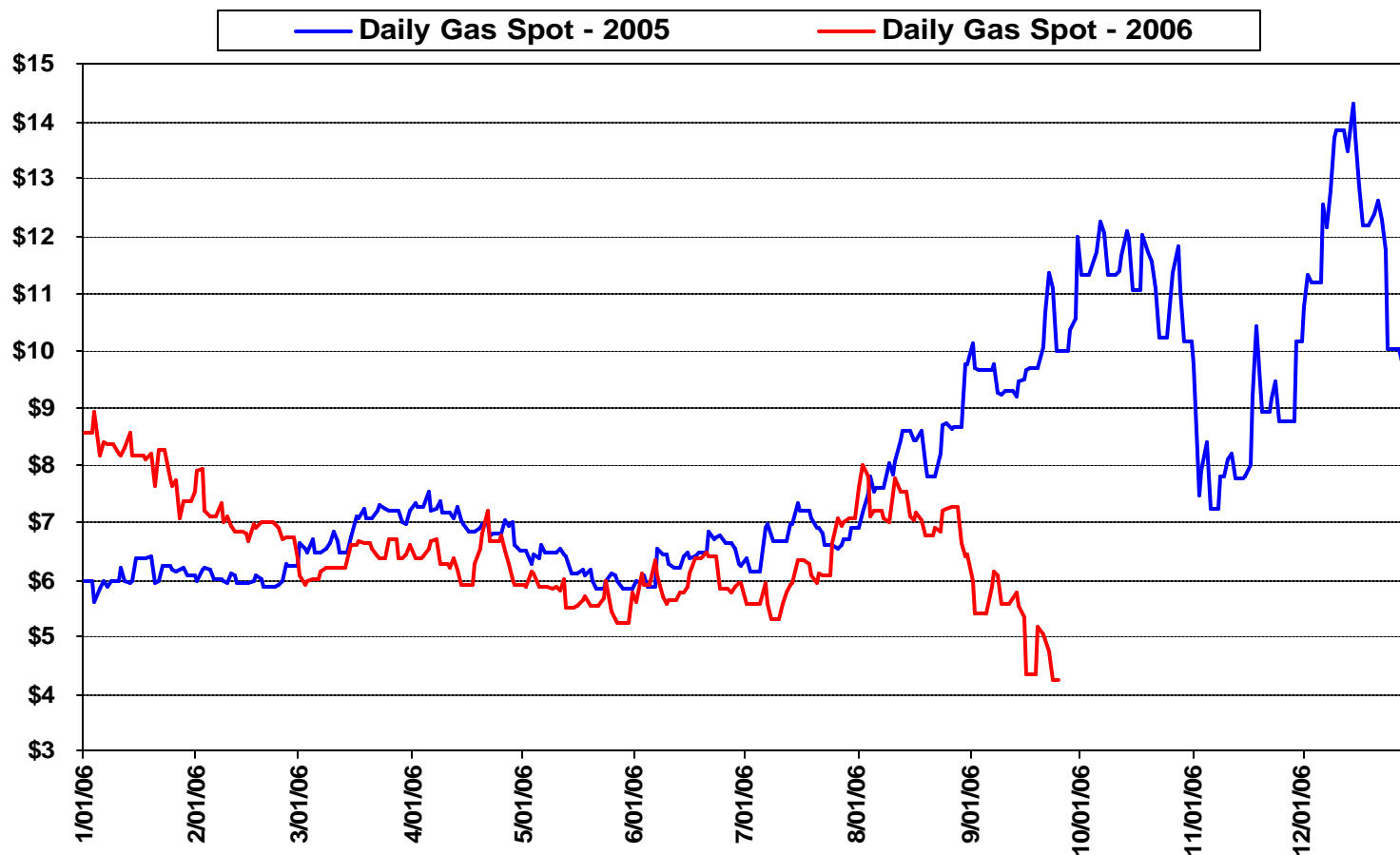
2008 Electric Prices





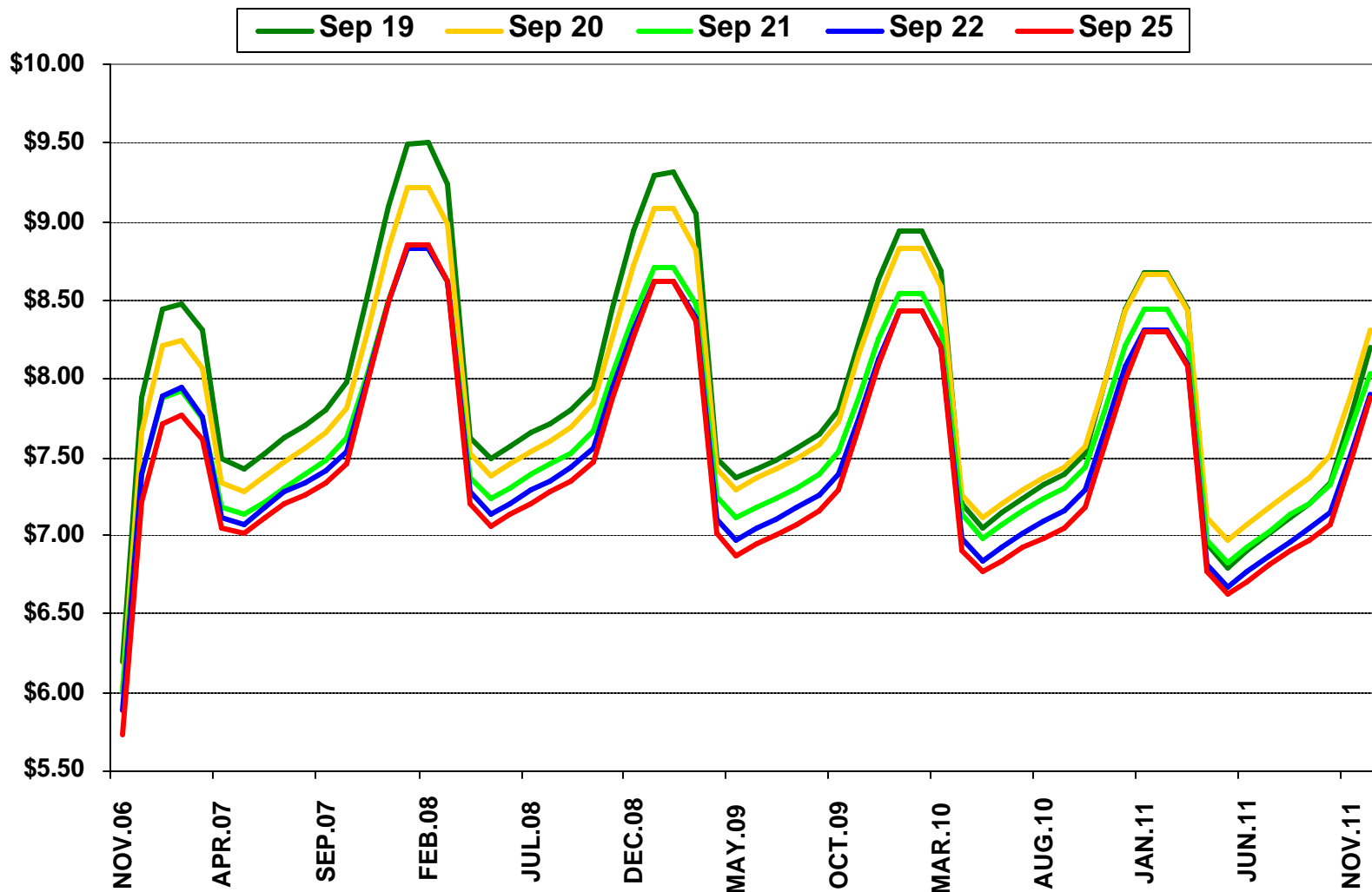
Natural Gas Spot Prices

2005 vs. 2006





Natural Gas Forward Price Curves





Summary

- EUD finished **FY06** with a \$3.6 million cash balance
 - Prior estimate of \$1.7 million
 - \$3.2 million rating agency target
- **FY07 Budget** projects nominal balance between revenues & expenses
- Financial forecast shows revenue/expense imbalance beginning in FY08 forward
 - Address in conjunction with FY08 budget development and completion of reserve study